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No. 89-838

# IN THE SUPREME COURT OF THE UNITED STATES

October Term, 1989

CALLAN PINCKNEY and CALLAN PRODUCTIONS CORPORATION,

Petitioners,

vs.

VALENTE-KRITZER VIDEO, a joint venture of Arvie Productions and Pacific Ocean Productions, Inc.,

Respondents.

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ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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## BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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BRIEF IN OPPOSITION TO
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Respondent Valente-Kritzer Video respectfully prays that petitioners' petition for the issuance of a writ of certiorari be denied.

## REASONS FOR DENYING THE WRIT

### I.

### STATE LAW CLAIMS FOR FRAUD HAVE NEVER BEEN HELD TO BE PREEMPTED BY FEDERAL COPYRIGHT LAW, AND ANY SUCH PROPOSED PREEMPTION WOULD BE CONTRARY TO CONGRESSIONAL INTENT

A. Fraud Claims Based Upon State Law Have Never Been Held to Be Preempted by Federal Copyright Law.

The Ninth Circuit Court of Appeals has held that the District Court "carried preemption too far" in ruling that Respondent's claim for fraud is preempted by the Copyright Act [Slip Opinion at 8843].

This Petition should be denied because the Ninth Circuit's ruling is wholly consistent with established principles regarding preemption of state law claims

which are not equivalent to claims for statutory copyright infringement. In order for a state-law claim to be preempted, it must be sufficiently "copyright-like" to satisfy the requirements of 17 U.S.C. § 301(a). The federal courts have developed a well-known, two-prong test to determine whether a state-law claim is preempted. (See Harper & Row Publishers, Inc. v. Nation Enterprises, 723 F.2d 195, (2d Cir. 1983), rev'd on other grounds, 471 U.S. 539, 105 S.Ct. 2218, 85 L.Ed. 588 (1985)). There is no dispute that the first prong is satisfied, because petitioner's work is within the subject matter of copyright. As to the second prong, whether the state-law claim is "equivalent" to the remedies granted under the Copyright Act, the Ninth Circuit has held unequivocally that a

fraud claim contains the "extra element" of "misrepresentation," which is "a necessary element of any fraud claim" [Slip Opinion at 8843]. Furthermore, "Tort and contract remedies differ as do their histories and theories" [Slip Opinion at 8843]. The Ninth Circuit also cited two recent district court cases which held that common law fraud is not preempted by Section 301 of the Copyright Act. Brignoli v. Balch Hardy & Scheinman, Inc., 645 F.Supp. 1201 (S.D.N.Y. 1986), and Tracy v. Skate Key, Inc., 697 F.Supp. 748 (S.D.N.Y. 1988).

All of these factors lead to the incontrovertible conclusion that not only is there no reason why a state-law fraud claim would be preempted, but that a fraud claim has never been held preempted, except for the District Court's ruling in the instant case.

Thus, in seeking review of this principle, petitioner is requesting a significant and serious departure from established law.

B. Petitioner's Request Is Contrary to Express Congressional Intent.

In enacting 17 U.S.C. § 301, Congress intended that the states should retain traditional rights of action and remedies regulating tortious conduct between individuals, even if those actions explicitly involve works or things which are copyrightable. As held by the Ninth Circuit, the explanation given by Congress was that "[T]he general laws of defamation and fraud, would remain unaffected as long as causes of action contain elements...that are different in kind from copyright infringement," citing H.R. Rep. No. 94-1476, 94th Cong. 2d Sess. 132, reprinted in 1976 U.S. Code

Cong. & Admin. News 5659, 5748 [Slip Opinion, at 8843].

Thus, petitioner's view is contrary to express congressional intent that non-equivalent causes of action shall not be preempted.

## II.

## RESPONDENT'S CLAIM FOR FRAUD IS WHOLLY SEPARATE AND DISTINCT FROM ITS CONTRACT CLAIMS, AND ANY LIABILITY IMPOSED UPON PETITIONERS WOULD RESULT ON ACCOUNT OF THEIR FRAUDULENT CONDUCT

### A. Respondent's Fraud Claim Poses No Threat to the Policies and Purpose Behind 17 U.S.C. § 204(a).

It being established that a claim for fraud is not preempted by federal law, petitioner's only other argument is that

fraud claims would thwart the federal policies embodied in 17 U.S.C. 204(a), which require that the transfer of exclusive licenses in copyright be in writing. This position is without merit, for several reasons.

First, although petitioner continually uses the phrase "promissory fraud" to characterize respondent's claim, the word "promissory" is an immaterial addition. Respondent is not suing petitioners to enforce any sort of promise; nor is respondent seeking enforcement of the transfer of the exclusive license. Rather, respondent is suing petitioners because they defrauded respondent. As correctly pointed out by the Ninth Circuit, the "histories and theories" of fraud and contract actions differ. If, at trial, respondent is able to prove that petitioners engaged in fraudulent

activity to respondent's damage, respondent shall be entitled to those damages calculated under a fraud theory, and not a contract theory.

Second, that being the case, then the federal policy behind Section 204(a) will be fully supported. If Section 204(a) is indeed the "statute of frauds provision of the new [Copyright] Act" (see Eden Toys, Inc. v. Floralee Undergarment Co., Inc., 697 F.2d 27, 36 (2d. Cir. 1982)), then, like other statutes of fraud, the intent behind that statute is to prevent fraudulent behavior. It is hornbook law that one cannot claim the protection of such a statute while fraudulently hiding behind it.

Thus, because the policies of Section 204(a) simply do not apply to this case, the policies behind that statute cannot be thwarted. Respondent is not suing to

uphold any contract, oral or written, but because petitioners made materially false representations to respondent, which acted to its detriment. If petitioners should be held liable for damages, it will be on a fraud theory, and not a contract theory.

B. Misrepresentation is the "Extra Element" Removing this Case from the Policies of Section 204(a).

Because California tort law involves different theories, different elements of proof, and different remedies, it does not conflict whatsoever with federal law, and this petition should be denied.

Stated somewhat differently, petitioners are plainly wrong when they state that "a state may not impose tort liability upon a promisor for making a promise without intending to perform it where federal law decrees that the oral

promise is unenforceable and that the promisor need not perform it if he does not choose to do so" (Petition, p. 37). Of course a state may do so. Section 204(a) only provides that the promisor may choose to dishonor an oral contract and that such a transfer shall not be enforceable against the copyright holder. But the promisor may not engage in fraudulent behavior (which means that the promisor may not misrepresent her intentions from the outset). If she does so, state law is applicable to protect the defrauded party, and Section 204(a) is neither affected nor hindered. The state law proscribing fraud only applies if there is misrepresentation found; that is the "extra element" that was recognized by the Ninth Circuit. Because it is fundamentally different from a contract action, a fraud cause of action

will not hinder the application of Section 204(a) in any manner.

## III.

## ACCORDING TO THE CONSIDERATIONS SET FORTH IN THE SUPREME COURT RULE 17.1, NO REASONS EXIST FOR THE GRANTING OF THIS PETITION

Supreme Court Rule 17.1 applies to whether the petition should be granted.

Based upon the discussion set forth above, none of the factors set forth in that Rule, or its subsections, weighs towards granting this petition.

Since no federal court has ever held that a fraud claim is preempted by the Copyright Act, there are no conflicts between the Courts of Appeal on this issue. The Ninth Circuit has not departed from any accepted or usual

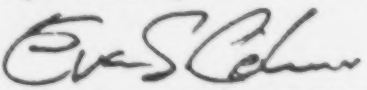
course of judicial proceedings; and the Ninth Circuit's ruling was consistent with existing precedent, as well as with express congressional intent.

Finally, as stated above, the decision of the Ninth Circuit simply reaffirms the congressional intent that non-equivalent causes of action are not preempted by the Copyright Act, as the "theories and histories" of fraud causes of action are wholly distinct from contract actions. Because Section 204(a) of the Copyright Act is in no way hindered by a state-law fraud action, petitioners' view that the Supremacy Clause bars respondent's claim is without merit. Thus, this case does not present "an important question of federal law which has not been, but should be, settled by this Court..."

For all of the foregoing reasons, this petition should be denied.

Dated: December 8, 1989

Respectfully submitted,



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